

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 58214

**SPOKANE COUNTY CONSERVATION DISTRICT No. 40**

Spokane County, Washington

January 1, 1993 Through December 31, 1995

Issue Date: May 23, 1997

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**SPOKANE COUNTY CONSERVATION DISTRICT NO. 40**  
**Spokane County, Washington**  
**January 1, 1993 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With State  
Laws And Regulations**

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Board of Supervisors  
Spokane County Conservation District No. 40  
Spokane, Washington

We have audited the financial statements, as listed in the table of contents, of Spokane County Conservation District No. 40, Spokane County, Washington, as of and for the fiscal years ended December 31, 1995, 1994, and 1993, and have issued our report thereon dated January 28, 1997.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the district complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance of regulatory requirements immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management, and the board of supervisors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

January 28, 1997

**SPOKANE COUNTY CONSERVATION DISTRICT NO. 40**  
**Spokane County, Washington**  
**January 1, 1993 Through December 31, 1995**

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**Schedule Of Findings**

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1. The District Should Not Make Advanced Payments To Employees

During our review of the payroll system, we noted that the district made advanced salary payments to its employees. During January 1995 and again during January 1997, the district's board of supervisors approved a salary increase for their employees. The employees were provided the option of receiving payment for the salary increase in advance of performing the services or receiving this over monthly increments throughout the year. Most employees opted for the immediate payment and the district advanced the salary increase in one lump sum in violation of statutes.

Article VIII, Section 7 of the State Constitution provides:

Credit Not To Be Loaned. No county, city, town or other municipal corporation shall hereinafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm . . . .

*Revised Code of Washington (RCW) 42.24.080 states in part:*

All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed . . . Such claims shall be prepared for audit and payment on a form . . . The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered or the labor performed as described, and that the claim is a just due and unpaid . . . no claim shall be paid without such authentication and certification . . . .

The salary increases paid in advance occurred after the board approved the revised salary policy in January 1995, which states:

Employees may, at the discretion of the Board and subject to the availability of funds, take a one time draw on their annual salary equal to the amount of their step increase for the upcoming year, based on a satisfactory performance evaluation. Draws will be issued by a separate check on the first payday of January. Those eligible employees not wanting to take a salary draw will receive their step increase throughout the year added to their regular paychecks. Should an employee leave the District for any reason after receiving a salary draw, they will have a pro-

rated amount for the remaining year taken out of their final paycheck.  
(Revised 1/95)

The district expended approximately \$13,800 in 1995 and \$7,800 in 1997 by paying compensation to district employees prior to the services being rendered.

We recommend the district not make advance payments to their employees prior to them actually earning the pay. We further recommend that the district revise their policy on salary step schedule/cost of living to conform with applicable statutes.

*Auditee's Response*

*Spokane County Conservation District Board has received the draft audit finding regarding the one-time salary increases to our employees.*

*After review of the document, we concur with your finding and will change our policy immediately to conform with State law.*

*Auditor's Concluding Remarks*

We appreciate the district's response to our audit finding. It appears that the concerns noted in this finding are being adequately addressed. We will review the district's progress in these areas during our next regularly scheduled audit.

We also wish to thank the district's officials and personnel for their assistance and cooperation during our audit.

**SPOKANE COUNTY CONSERVATION DISTRICT NO. 40**  
**Spokane County, Washington**  
**January 1, 1993 Through December 31, 1995**

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**Independent Auditor's Report On Financial Statements And Additional  
Information**

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Board of Supervisors  
Spokane County Conservation District No. 40  
Spokane, Washington

We have audited the accompanying statements of Resources and Uses Arising from Cash Transactions of the various funds of Spokane County Conservation District No. 40, Spokane County, Washington, for the fiscal years ended December 31, 1995, 1994, and 1993. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the district prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of Spokane County Conservation District No. 40 for the fiscal years ended December 31, 1995, 1994, and 1993, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of State and Federal Financial Assistance are presented for

purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

January 28, 1997